

Docket:	:	A.09-12-020
Exhibit Number	:	DRA-11
Commissioner	:	Peevey
ALJ	:	Fukutome
Witness	:	Bower



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Pacific Gas and Electric Company
General Rate Case
Test Year 2011**

Replacement Pages

**Administrative and General Expenses, Part 1 of 4
(Addressing Chapters 3 thru 7, 14 and 17 of Exhibit PG&E-6)**

San Francisco, California
July 2, 2010

Revisions to Exhibit DRA-11:

1. p. 4, line 12,m strike \$61.709 million and replace with \$61.635 million
2. p. 4, line 22, strike \$45,000 and replace with \$37,000
3. p. 5, line 1, strike \$4.34 , million and replace with \$4.274 million
4. p. 6, line 3, replace Table 11-1
5. p. 45, line 4, replace Table 11-20
6. p. 51, Line 9 strike \$730,000 and replace with \$739,000
7. p. 51, Line 10 strike \$45,000 and replace with \$37,000
8. p. 56, Line 7 strike \$6.499 million and replace with \$6.565 million
9. p. 56, Line 8 strike \$4.340 and replace with \$4.274
10. p. 58, Line 2 strike \$240.468 million and replace with \$240.542 million
11. p. 69, line 58, replace Table 11-24

- d. That \$40,000 be removed to normalize Voluntary Protection Program (VPP) certification;
 - e. That \$642,000 in labor costs for 7 Workers' Compensation Representative (WCR) Full Time Equivalents (FTEs) be removed from Account 920;
 - f. That \$150,000 in labor costs for 3 Claims Assistants (CA) FTEs be removed from Account 920; and,
 - g. That \$927,000 in labor costs for 10 Safety Program Coordinator (SPC) FTEs be removed from Account 920.
6. That \$1.6 million be removed from Human Resources forecast for severance costs;
7. That ~~\$61.709~~ **\$61.635** million be removed from Benefits costs:
- a. That \$1.698 million be removed from Medical Plans for the Wellness Program which duplicates medical benefits already provided;
 - b. That \$29.912 million be removed from Medical Plan costs to reflect a different escalation rate used;
 - c. That \$6.768 million be removed from Dental to reflect using a five year average forecast;
 - d. That \$588,000 be removed from Vision to reflect using last recorded;
 - e. That ~~\$45,000~~ **\$37,000** be removed from Group Life to reflect using three average forecast;
 - f. That \$639,224 be removed from Post-Retirement Benefits Other Than Pension (PBOP) Life Insurance to reflect using last recorded;
 - g. That \$54,000 be removed from Disability to reflect using a three year average forecast;
 - h. That \$3.970 million be removed from Retirement Benefits (Non-Qualified Pension);
 - i. That \$12.615 million be removed from Retirement Savings Plan to reflect using last recorded;

- 1 j. That ~~\$4.34~~ **\$4.274** million be removed from Relocation to reflect
- 2 using a three year average forecast;
- 3 k. That \$1.08 million be removed for Service Awards that should not
- 4 be funded by ratepayers;
- 5 8. That PG&E not be granted a two-way balancing account for medical
- 6 costs; and,
- 7 9. That \$75.452 million be removed from PG&E's Benefits forecast to reflect
- 8 labor adjustments recommended by DRA:
 - 9 a. That an additional \$57.102 million be removed from Medical Plan
 - 10 forecast related to DRA's labor adjustments;
 - 11 b. That an additional \$5.232 million be removed from PG&E's Dental
 - 12 forecast related to DRA's labor adjustments;
 - 13 c. That an additional 726,000 be removed from PG&E's Vision
 - 14 forecast related to DRA's labor adjustments;
 - 15 d. That an additional \$11.647 million be removed from PG&E's
 - 16 Retirement Savings; and,
 - 17 e. That \$745,000 should be removed from PG&E's Tuition
 - 18 Reimbursement Program.

Table 11-1 compares DRA's and PG&E's TY2011 forecasts of Administrative and General Expenses:

Table 11-1 Revised
PG&E Administrative and General Expenses for TY2011
(In Thousands of Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed ² (c)	Amount PG&E>DRA (d=c-b)	Percentage PG&E>DRA (e=d/b)
CEO	\$ 5,903	\$ 6,293	\$ 390	7%
Law Department	\$ 41,843	\$ 44,598	\$ 2,755	7%
Settlements	\$ 14,600	\$ 16,000	\$ 1,400	10%
Third-Party Claims	\$ 15,000	\$ 17,300	\$ 2,300	15%
Risk & Audit Department	\$ 15,923	\$ 16,583	\$ 660	4%
Insurance	\$ 39,718	\$ 41,600	\$ 1,882	5%
Safety, Health & Claims	\$ 19,943	\$ 23,306	\$ 3,363	17%
Workers Compensation	\$ 47,700	\$ 47,700	\$ -	0%
Human Resources	\$ 37,098	\$ 37,098	\$ -	0%
Severance	\$ 9,800	\$ 11,400	\$ 1,600	16%
Benefits	\$ 240,542	\$ 375,931	\$ 135,389	56%
Total	\$ 484,369	\$ 637,808	\$ 153,439	32%

² Excludes PG&E Corporation Test Year 2011 forecasts.

L. DRA's Recommendations

DRA recommends \$37.098 million for Human Resources and \$9.8 million for Severance:

Table 11-20 Revised
Human Resources' Administrative and General Expenses
And Severance for TY 2011
(in Thousands of Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed (c)	Amount of Incr./Decr. (d=c-b)	Percentage Incr./Decr. (e=d/b)
SVP Immediate Office	\$ 2,663	\$ 2,663	\$ -	0%
Labor Relations	\$ 4,544	\$ 4,544	\$ -	0%
Benefits Department	\$ 3,428	\$ 3,428	\$ -	0%
Rewards Department	\$ 2,567	\$ 2,567	\$ -	0%
HR Systems and Operations Depart.	\$ 4,588	\$ 4,588	\$ -	0%
HR Delivery Department	\$ 2,295	\$ 2,295	\$ -	0%
Talent Management Department	\$ 11,372	\$ 11,372	\$ -	0%
PG&E Academy Department	\$ 5,642	\$ 5,642	\$ -	0%
HR Total	\$ 37,099	\$ 37,099	\$ -	0%
Severance	\$ 9,800	\$ 11,400	\$ 1,600	16%

V. DISCUSSION / ANALYSIS OF BENEFITS COSTS

A. Overview of PG&E's Request

PG&E is forecasting for the 2011 test year \$375.9 million for its pay-as-you-go benefit expenses. This forecast is \$75 million (25 percent) higher than the 2008 recorded adjusted amount of \$301.0 million.⁸⁷

⁸⁷ See Ex. PG&E-6, p. 17-2.

1 **M. Employee Relocation**

2 PG&E forecast Test Year 2011 costs for Employee Relocation Program will
3 be \$10.8 million.¹¹³ This is 29 percent increase over 2008 recorded of \$7.6 million.
4 The 2009 recorded employee relocation expenses were \$5.264 million,¹¹⁴ which is
5 a 32% decline over 2008 recorded expenses. DRA has analyzed PG&E's request
6 and recommends using a three year average (2007-2009) to forecast for the Test
7 Year 2011. DRA recommends ~~\$6.499~~ **\$6.565** million for Test Year 2011 employee
8 relocation expenses. DRA has adjusted Employee Relocation forecast by ~~\$4.340~~
9 **\$4.274** million.

10 **N. Service Awards**

11 PG&E is requesting \$1.1 million for Service Awards expenses.¹¹⁵ PG&E's
12 forecast is based on 2008 award selections, anticipated numbers of participants
13 eligible for a service award, and contract terms with the program administrator.
14 PG&E's Service Awards Program provides special recognition to employees who
15 have demonstrated a commitment to PG&E through continuous service.¹¹⁶ An
16 outside vendor administers the program.

17 The Commission has a lengthy history of denying utility requests for these
18 types of benefits (D.67369, 62 CPUC 851-854; D.89-12-157, 34 CPUC 2d 265-266;
19 and D.93-12-043, 52 CPUC 2d, 513-514). The Commission has found that such
20 awards fit category of social activities and should not be funded by ratepayers. DRA
21 recommends that the Commission adhere to its past precedent and policy and deny
22 PG&E's request, in its entirety, for service awards. DRA recommends an
23 adjustment of \$1.1 million to PG&E's request for its test year 2011 forecast.

¹¹³ See Ex. PG&E-6, p. 17-31.

¹¹⁴ See response to DRA-122-CKT, Question 1 Supp01Atch02 (4).

¹¹⁵ See Ex. PG&E-6, p. 17-32.

¹¹⁶ See Ex. PG&E-6, p. 17-31.

P. DRA's Recommendations

DRA recommends ~~\$240.468~~ **\$240.542** million for Benefits:

Table 11-24 Revised
DRA's Benefits Forecast
(in Thousands of Dollars)

Description	DRA Recommended (b)	PG&E Propsoed (c)	Amount of Incr./Decr. (d=c-b)	Perctange Incr./Decr. (e=d/b)
Medical Plans	\$ 191,168	\$ 278,182	\$ 87,014	46%
Dental Plan	\$ 17,516	\$ 29,516	\$ 12,000	69%
Vision Plan	\$ 2,430	\$ 3,744	\$ 1,314	54%
Group Life Plan	\$ 739	\$ 776	\$ 37	6%
Employee Health Care Contributions	\$ (21,461)	\$ (21,461)	\$ -	0%
Post-Retirement Medical Plan	\$ 623	\$ 623	\$ -	0%
Post-Retirement Life Plan	\$ 896	\$ 1,535	\$ 639	71%
Disability Plans	\$ 581	\$ 635	\$ 54	9%
Retirement Benefits -NQ Pensions	\$ -	\$ 3,970	\$ 3,970	100%
Retirement Savings Plan	\$ 38,993	\$ 63,255	\$ 24,262	62%
Tuition Refund	\$ 2,492	\$ 3,237	\$ 745	30%
Employees Relocation Program	\$ 6,565	\$ 10,839	\$ 4,274	65%
Service Awards	\$ -	\$ 1,080	\$ 1,080	100%
Total Benefits	\$ 240,542	\$ 375,931	\$135,389	56%